

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 6624**

**BILL NUMBER:** HB 1262

**DATE PREPARED:** Dec 10, 1998

**BILL AMENDED:**

**SUBJECT:** Property tax freeze for elderly homeowners.

**FISCAL ANALYST:** Bob Sigalow

**PHONE NUMBER:** 232-9859

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State

STATE IMPACT	FY 1999	FY 2000	FY 2001
State Revenues			
State Expenditures			12,100,000
Net Increase (Decrease)			(12,100,000)

**Summary of Legislation:** This bill provides a property tax credit to elderly homestead owners so that an elderly individual's net property tax liability on a homestead will not be greater than the individual's net property tax liability in the first year the individual qualified for the credit. The bill provides that the property tax credit is payable from the Property Tax Replacement Fund and it makes an appropriation from the fund to pay for the property tax credits.

**Effective Date:** January 1, 2000.

**Explanation of State Expenditures:** The 1996 pay 1997 assessed value (AV) for residential real property statewide was \$20.5 billion. The five year average increase in AV in non-reassessment years is 2.82%. Using the 2.82% growth factor, the pay 2000 residential AV was projected at \$22.3 billion and the pay 2001 residential AV is estimated at \$22.9 billion. Based on projections for levies and AVs, the CY 2000 statewide average net tax rate is projected at \$8.90 per \$100 AV and the CY 2001 rate is estimated at \$9.14 per \$100 AV.

According to the Census Bureau, 24.44% of Indiana homeowners are age 65 and above. The 1999 pay 2000 residential AV (\$22.3 billion) multiplied by the percent of residents that are age 65 or over (24.44%) produces an estimate of \$5.45 billion AV of residential real property owned by those Indiana residents, age

65 or over. At the estimated CY 2000 net tax rate, the property tax bills for these properties are estimated at \$437 million. If all eligible taxpayers file for the credit during the first year available, the \$437 million would be the base year tax amount.

Using the projected AV, levy, and tax rate growth rate, the property tax liabilities for these same properties are estimated at \$461.1 million in CY 2001 and \$565.7 million in CY 2002. The credits are estimated to be \$24.2 million in CY 2001 and \$128.7 million in CY 2002. The State's cost is estimated at **\$12.1 million** in FY 2001, **\$76.4 million** in FY 2002, and **\$144.3 million** in FY 2003. The amount of the credit would grow annually. The rate of increase would be higher during a year in which reassessment takes effect than in a non-reassessment year. (The large increase in residential tax liabilities in CY 2002 is due to (1) the general real property reassessment scheduled to take effect in CY 2002, and (2) the scheduled reduction of homestead credits from 10% to 4%, also in CY 2002.)

This credit would be paid from the Property Tax Replacement Fund (PTRF). This fund is supplemented by the General Fund annually to meet obligations. An increase of expenditures from the PTRF would ultimately impact the General Fund.

This impact assumes that all eligible recipients of this proposed credit will file for the credit as soon as it would be effective.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** Local governments would be responsible for printing and processing the claim forms for the credit. This would create an indeterminable cost increase for the County Auditor's offices.

**Explanation of Local Revenues:** There would be no impact on local tax revenues. Local units of government would continue to receive the same total tax revenues, regardless of the source.

**State Agencies Affected:** State Board of Tax Commissioners.

**Local Agencies Affected:** County Auditors; Trial courts; Local law enforcement agencies.

**Information Sources:** Property Tax Analysis, State Board of Tax Commissioners; Local Government Database; U.S. Dept. of Commerce, Bureau of the Census.